

Idaho Public Utilities Commission

Case No. IPC-E-13-16, Order No. 32929

December 2, 2013

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Idaho Power gets certificate for coal upgrades, but not preferred ratemaking treatment

Idaho Power is getting a certificate to allow it to invest in emissions upgrades at a Wyoming coal plant, but the Idaho Public Utilities Commission declined a ratemaking treatment that would have guaranteed the utility recovery up to about \$130 million of the investment.

The preferred ratemaking treatment might have made it more difficult for Idaho Power to pull back from the investment at two units of the Jim Bridger coal plant if even more federal or state emission controls make the upgrades no longer economical, the commission said.

It is not inconceivable that during the installation of the upgrades, “a tipping point could be reached making them uneconomic,” the commission said. “It is in the best interest of the customers, the company and the company’s shareholders for Idaho Power to be continuously analyzing the impact of changing environmental regulations on its upgrade project. As the project moves toward completion over the next several years, we direct Idaho Power to return to the commission if viable alternatives to the Bridger Units 3 and 4 become available.”

The utility must file quarterly reports updating the commission on any changes to environmental policy or regulations until the upgrades are placed in service.

Environmental groups urged the commission to deny the certificate and, instead, require Idaho Power to find the approximate 350 megawatts of generation (about one-fifth of the company’s total baseload capacity) from renewable resources and increased use of energy efficiency programs.

But the commission said Bridger opponents were not able to outline a viable alternative that could “reasonably and timely replace the value of energy and capacity that Bridger provides.”

“The suggestion ... that renewable resources and energy efficiency could somehow replace Bridger’s ability to reliably provide energy and capacity is simply not realistic in the near-term,” the commission said. Indeed, baseload plants like Bridger and the Langley Gulch natural gas plant make wind and solar generation more reliable by balancing their intermittent generation, the commission said. The baseload plants are also “critical to the reliable operation of the high-voltage transmission system in that they provide voltage and frequency support.”

The commission emphasized that the “public interest is paramount,” in considering Idaho Power’s application. Without the upgrades, which are being required to meet Clean Air Act regional haze rules,

the coal units would be forced to cease operation by December 2016 and that is not in the public interest, the commission said. "Cost-effective replacement resources that are dispatchable and reliable year-round do not presently exist nor could they be brought on line before the required dates."

The commission acknowledged the public's concerns about unnecessarily extending the life of the coal plant. (More than 200 written comments were received and 30 people testified at a standing-room-only public hearing.) "The detrimental effects of long-term coal use on human health, the climate, wildlife, land and water are well-documented. However, Idaho Power's analysis presented and (commission) staff's investigation confirmed that investment in selective catalytic reduction controls is presently the least-cost, least-risk alternative to both reduce environmental effects and allow reliable electric service to continue."

While the commission granted the certificate, denial of binding ratemaking treatment means the commission will be able to review costs as the project progresses. "Because of the uncertain future of coal-fired generation, we find it unreasonable to prematurely commit ratepayer dollars to support Idaho Power's investment," the commission said. Approval of such treatment would provide the company with economic, social and political assurance it seeks, while leaving ratepayers to "bear the risk of environmental uncertainties," the commission said.

PacifiCorp, which operates as Rocky Mountain Power in eastern Idaho, is the majority owner of the Bridger plant and is moving forward with installing the controls, receiving a certificate in both Utah and Wyoming in May of this year. The Idaho portion of the estimated \$130 million would be amortized over several years, increasing Idaho Power's annual revenue requirement by about \$18.8 million.

Idaho Power said it considered other options, including replacing the Bridger output with natural gas-fired generation. The utility argued the Bridger plant has the lowest dispatch cost of Idaho Power's thermal generation fleet.

Several parties intervened in the case including the Industrial Customers of Idaho Power (ICIP), which did not oppose the certificate, but did oppose pre-approved ratemaking treatment. The Snake River Alliance and the Idaho Conservation League opposed both, maintaining that Idaho Power understated the cost of likely environmental compliance measures and didn't examine other alternatives. They said the risks associated with investing in coal generation have not been adequately characterized or compared to risks associated with other options.

The commission's order and other documents related to the case are available on the commission's Web site at www.puc.idaho.gov. Click on "Open Cases" under the Electric heading and scroll down to Case No. IPC-E-13-16.

Interested parties may petition the commission for reconsideration by no later than Dec. 23. Petitions for reconsideration must set forth specifically why the petitioner contends that the order is unreasonable, unlawful or erroneous. Petitions should include a statement of the nature and quantity of evidence the petitioner will offer if reconsideration is granted. Petitions can be delivered to the commission at 472 W. Washington St. in Boise, mailed to P.O. Box 83720, Boise, ID, 83720-0074, or faxed to 208-334-3762.